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MINISTRY OF HEAVY INDUSTRIES

RESOLUTION

New Delhi, the 23rd November 1956

No. Eng. Ind. 17(17)/56.—By a Resolution No. Eng.Ind.17(17)/55, dated the 10th October, 1955, the Government of India asked the Tariff Commission to make an enquiry into the prices of locomotives and boilers produced by M/s. Tata Locomotive and Engineering Co. Ltd. for supply to the Railway Board and to submit its recommendations regarding fair prices. The Commission submitted its report at the end of September 1956. The main recommendations of the Commission are summarised below:

- (1) M/s. Tata Locomotive & Engineering Co. Ltd. should so maintain its costs as to be able to provide a break-down into about 40 groups of sub-assemblies. The costs of certain items selected should be separately recorded.
- (2) Certain prices as recommended should be paid for the locomotives and spare boilers delivered by M/s. Tata Locomotive & Engineering Co. Ltd. during the first price period (1st July 1954 to 31st March 1955 for locomotives and 1st February 1954 to 31st March 1955 for boilers), the second price period (1st April, 1955 to 31st March, 1956) and the third price period (1st April, 1956 to 31st March, 1958).
- (3) The prices recommended for the third price period may be adjusted from time to time to the extent that Government are satisfied that manufacturing costs have altered as a result of changes in railway freight, changes in statutory prices of coal and other fuel, raw materials, stores or machinery and changes in labour costs caused by labour legislation or adjudication or conciliation awards.
- (4) A cost investigation should be made before prices are fixed for any price period in future.

2. The Commission has examined M/s Tata Locomotive & Engineering Co.'s basic cost of production in relation to the corresponding cost of the Government-owned locomotives manufacturing unit at Chittaranjan and has then allowed for profit, managing agency commission and special depreciation as admissible under the Agreement entered into between the firm and the Railway Board.

3. Government accept the recommendations (2), (3) and (4) above and invite the attention of M/s. Tata Locomotive & Engineering Co. Ltd. to the recommendation (1).

4. The Commission has also made the following ancillary recommendations: .
- (a) No further orders for spare boilers and no orders for locomotives of types other than YG and YP should be placed with M/s. Tata Locomotive & Engineering Co. Ltd. until the termination of the present agreement.
 - (b) There should be full exchange of information and consultation between the Railway Board and the Company and adjustments in the phasing of the Railway Board's requirements of locomotives should be made by mutual consent so as to secure maximum economy in production.
 - (c) In order to facilitate the preparation of drawings, the Company should be informed of any modifications required in the original specifications without undue delay.
 - (d) The present level of inspection should be maintained.
 - (e) The system of payments adopted in the case of M/s. Tata Locomotive & Engineering Co. Ltd. should not be less favourable than that followed in the case of foreign suppliers of locomotives and boilers.
 - (f) With a view to promoting closer collaboration in technical matters, M/s. Tata Locomotive & Engineering and Chittaranjan should arrange more frequent visits of their personnel to each other's works.

5. Government accept the recommendation (a) above in so far as it relates to deliveries up to 31st March, 1958, but for deliveries beyond that date the possibility of a modification in the types of stock required in changing circumstances must be taken into account. Accordingly steps will be taken to negotiate with M/s. Tata Locomotive & Engineering Co. Ltd. in the matter of prices for the period beyond 31st March 1958, keeping in view any alterations in requirements that may arise. Recommendations (b), (c), (d), (e) and (f) are being further examined by Government and steps will be taken to give effect to them as far as possible.

6. Government trust that M/s. Tata Locomotive & Engineering Co. Ltd. will also take suitable action on the suggestions made in the Tariff Commission's Report regarding the scope for improvement in various matters such as the absorption of surplus labour, introduction of a less expensive incentive system of payment, and avoiding delays in expanding the project.

ORDER

Ordered that a copy of the Resolution be communicated to all concerned and that it be published in the Gazette of India.

N. SUBRAHMANYAM, Jt. Secy.